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PUBLIC UTILITY COMMISSION  
BEFORE THE

APPLICATION OF FOREST GLEN §  
UTILITY COMPANY TO CHANGE § PUBLIC UTILITY COMMISSION  
RATES § OF TEXAS

**FOREST GLEN UTILITY COMPANY'S RESPONSE TO DENNIS BROWN'S FIRST  
REQUEST FOR INFORMATION**

TO DENNIS BROWN, 285 Barden Parkway, Castroville, Texas 78009.

COMES NOW, Forest Glen Utility Company ("Applicant" or "FGU") and submits this Response to Intervenor Dennis Brown's First Request for Information pursuant to Tex. R. Civ. P. 190 through 198 and 16 Tex. Admin. Code § 22.144 ("TAC"). Pursuant to 16 TAC § 22.144(c)(2)(F), these responses may be treated as if they were filed under oath.

Respectfully submitted,

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By:

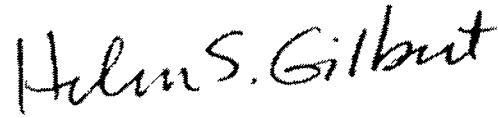
*Helen S. Gilbert*

Helen S. Gilbert

**ATTORNEYS FOR FOREST GLEN  
UTILITY COMPANY**

**CERTIFICATE OF SERVICE**

I hereby certify that I have or will serve a true and correct copy of the foregoing document via hand delivery, facsimile, electronic mail, overnight mail, U.S. mail, or Certified Mail Return Receipt Requested on all parties on the 30<sup>th</sup> of July 2018.



\_\_\_\_\_  
Helen S. Gilbert

**RESPONSE TO DENNIS BROWN'S FIRST REQUEST FOR INFORMATION TO  
FOREST GLEN UTILITY COMPANY**

**QUESTION NOS. 1-1 through 1-15**

REQUEST FOR INFORMATION NO. 1-1: Does Mr. Harry Hausman have any Financial Business interest with FGU, 320 Potranco Ranch Sub-division Developers or the Public Improvement District?

**RESPONSE: FGU does not understand what is meant by the terms "Financial Business interest" or "320 Potranco Ranch Sub-division Developers" or "the Public Improvement District." Mr. Hausman is the president and shareholder of FGU and a managing member of 320 Potranco Ranch LLC. Neither Mr. Hausman nor FGU receive any remuneration from the Potranco Ranch Public Improvement District.**

REQUEST FOR INFORMATION NO. 1-2: Do you now or have you ever received any money from the 320 Potranco Ranch Sub-division Public Improvement District (PID) to support your Recycled Non-Potable Water and Sewer business expenses? If so, how much and how long have you been receiving this additional money?

**RESPONSE: No.**

REQUEST FOR INFORMATION NO. 1-3: As a sale promotion did FGU tell Endeavor Wall Homes or Terrata Homes Sale Representatives that the Recycled Non-Potable Water rate would be less expensive than regular Potable water rates?

**RESPONSE: No. FGU is not a water provider, however customers do pay less for reuse water by approximately 54%.**

REQUEST FOR INFORMATION NO. 1-4: You stated in a letter dated 07 October 2015 sent to the Homeowners, that you were approved by the Texas Commission on Environmental Quality (TCEQ) from the beginning, which I assume beginning meant the start of development of the 320 Potranco Ranch Subdivision for a Sewer base rate of \$35.00. You also stated that you felt that it would be wise to start the base rate at \$12.00 until the true expenses of the Utility could be determined. Based on this information what date did you start charging the \$12.00 base rate and why did you knowingly continue to charge a base rate of \$12.00 while you were losing revenues?

**RESPONSE: Until December 2017, FGU has never sought a formal rate increase and has always been authorized under its tariff to charge \$35/month. During the first years of its operations, however, FGU voluntarily kept its sewer rates lower than what it was legally authorized to charge -- in fact well below actual operating costs. By January 2016, FGU merely began charging the authorized rate of \$35 per month. As demonstrated by over 3 years of operating expenses, \$35 per month is actually less than 50% of the actual costs to which FGU is rightfully and legally entitled to collect by law. Even at \$65 per month, customers will benefit from a substantial discount from what FGU would otherwise be entitled to collect, approximately \$101.92 with a customer base of 242 customers. FGU has always intended to provide a discount to its customers during the building phase of the subdivision, then increase rates to reach equilibrium upon final build out. FGU is in affect**

**loaning money to the rate payers until such time as there are enough customers to fully spread out the operating costs. Everything that FGU does is in accordance with the law.**

REQUEST FOR INFORMATION NO. 1-5: Based on your letter dated 07 October 2015, why didn't you provide a breakdown of the expenditures you incurred and the income revenue you received to qualify your Sewer rate increase from a base rate of \$12.00 to the current rate of \$35.00?

**RESPONSE: See Response to Request for Information 1-4, FGU has been authorized to charge \$35/mos. at all relevant times.**

REQUEST FOR INFORMATION NO. 1-6: You stated that the TCEQ approved your base rate increase from \$12.00 to \$35.00 in 2012. First, why did you wait until 01 January 2016 to implement the new rate? Secondly, after losing money for 3 years in a row and expenses ballooning out of your control are you now using your failed investment as an opportunity to overcharge Homeowners in 320 Potranco Ranch Sub-Division to recoup loss revenue that was created by you?

**RESPONSE: No. See Response to Request for Information 1-4, FGU has been authorized to charge \$35/mos. at all relevant times.**

REQUEST FOR INFORMATION NO. 1-7: If the TCEQ approved FGU base rate increase for Sewer from \$12.00 to \$35.00 in 2012 why didn't you notify Endeavor Wall Homes and the Homeowners of 320 Potranco Ranch Sub-Division of this approval in 2012?

**RESPONSE: See Response to Request for Information 1-4, FGU has been authorized to charge \$35/mos. at all relevant times, there was not an actual rate increase from \$12.00 to \$35.00/mos. All builders in Potranco Ranch Subdivision are informed of FGU's CCN and Tariff.**

REQUEST FOR INFORMATION NO. 1-8: Based upon your analysis of the cost to run your Business and your proposed base rate increase from \$35.00 to \$65.00 for Sewer. What would be your projected cost of Sewer rates once Potranco Ranch Sub-division is completed?

**RESPONSE: Unknown at this time, however, \$101.92/mos. for a customer base of 242 would be just and reasonable under the current metrics.**

REQUEST FOR INFORMATION NO. 1-9: Did you brief Endeavor Wall Homes and Terrata Homes Sale Representatives on your Wastewater and Reuse Water Service Agreement and Rules and regulatory requirements so that potential home buyers would be well informed prior to any Purchase Agreement made between Buyer and Seller? If yes, who did you brief?

**RESPONSE: Yes, all builders in Potranco Ranch Subdivision are informed of FGU's CCN and Tariff. The Covenants, Conditions and Restrictions (CC&Rs) (i.e., deed restrictions) also provide notice to homeowners of the reuse requirement.**

REQUEST FOR INFORMATION NO. 1-10: Is your charge per Thousand Gallons up to 2000 Gallons of Recycled Non-Potable Water rates the same as that of Yancey Water Supply Corporation rates? If not why?

**RESPONSE: FGU provides only sewer and reuse services, Yancey Water Supply Corporation is the drinking water purveyor.**

REQUEST FOR INFORMATION NO. 1-11: After FGU's Wastewater and Reuse Water Service Agreement is signed by a new Homeowner they are billed a monthly minimum fee of \$21.10 for Reuse Water regardless whether Recycled Non-Potable Water is used or not. For the average Homeowner in 320 Potranco Ranch Sub-Division, that is roughly anywhere between 4 and 6 months of minimum payments. What is this additional revenue used for?

**RESPONSE: This revenue is used to operate and maintain the reuse system. Additionally, as has been shown in the administrative record, since FGU has not been charging a sewer rate sufficient to cover wastewater costs (necessitating the proposed rate increase), FGU has used revenue from the reuse system to subsidize the losses incurred by the wastewater utility.**

REQUEST FOR INFORMATION NO. 1-12: Are FGU employees physically performing the Backflow Test annually on ever Homeowner's Backflow Valve? Secondly, why do Homeowners have to pay a \$50.00 Annual fee for the Test and pay for any repairs done to your equipment and what is this additional revenue used for?

**RESPONSE: FGU subcontracts this licensed service which is provided at commercially competitive or lower than market rates which tests are required by the drinking water purveyor, Yancey Water Supply Corporation and state law (i.e., 30 TAC § 290.44).**

REQUEST FOR INFORMATION NO. 1-13: Why do the TCEQ Charge Homeowners of 320 Potranco Ranch Sub-division 2 different monthly fees?

**RESPONSE: FGU is not aware that TCEQ charges Potranco Ranch homeowners any fees.**

REQUEST FOR INFORMATION NO. 1-14: In your RFI dated 18 May 2018 to the Intervenors you stated that under state law, you may collect additional revenue from the customers to provide funds for capital improvements necessary to provide facilities capable of providing adequate and continuous utility service. Based on this information is there also a state law that protects the customer from unreasonable or unnecessary collection of additional revenue by FGU?

**RESPONSE: The state laws pertaining to retail public water and wastewater utilities and the administrative rules (under PUC and TCEQ) that implement those laws are extensive and contain various provisions relating to customer service and protection.**

REQUEST FOR INFORMATION NO. 1-15: Do you admit that you briefed or insured that potential home buyers would be briefed on your Wastewater and Reuse Water Service Agreement prior to any Purchase Agreement made between Buyer and Seller?

**RESPONSE: See Response to Request for Information 1-9, all builders in Potranco Ranch Subdivision are informed of FGU's CCN and Tariff. The Covenants, Conditions and Restrictions (CC&Rs) (i.e., deed restrictions) also provide notice to homeowners of the reuse requirement.**